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ABSTRACT

Although making profits from public education is not new, what is new is the recent development of corporate interest in taking over the organization and management of public education specifically for profit-making purposes. The study reported in this paper focuses on the intrusion of "big business" into an educational arena that historically has been the preserve of elected representatives and professional educational administrators, the organization of local education authorities, and schools. The study explores the distinctive mode of privatization of education that takes the form of big business in general, and education maintenance organizations (EMOs) in particular, taking over the operation of public education, both at area and school levels. It considers the processes of privatization of public education and the conditions that have given rise to its prominence, in policy terms, in the United States and the United Kingdom. The study outlines the antecedents of EMO interest in public education. Within the mode of privatization, the most prominent are vouchers, contracting out, public-private partnerships, takeovers, tax credits, and private finance initiatives. This examination includes as well a detailed description of the history, role, purposes, and the success record of Edison Schools. (Contains 56 references.) (DFR)

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by

John Fitz and Bryan Beers

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Paper presented at the Annual Meeting of the American Education Research Association, Seattle, 10-14 April, 2001

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EDUCATION MAINTENANCE ORGANISATIONS AND THE PRIVATISATION OF PUBLIC EDUCATION: A CROSS NATIONAL COMPARISON OF THE USA AND THE UK

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Introduction

Making profits from public education is not new. It has taken and does take many forms. What is relatively new is the recent development of corporate interest in taking over the organisation and management of public education specifically for profit-making purposes. In this paper we will focus on the intrusion of 'big business' into an educational arena that historically has been the preserve of elected representatives and professional educational administrators, the organisation of local education authorities and schools.

in terms of revenue, the scale of what we are talking about is impressive. Education Maintenance Organisations (EMOs), for profit organisations engaged in the take-over and operation of public education, have become big business. It is estimated that in the US last year, EMO's were expected to generate between $100 – 123 billion dollars in revenue (Education Week 2000). In the smaller UK system, it estimated that up to £5 billion of services in public education could be contracted out to private organizations (TES, 2000). Moreover, US-based EMOs have sought to extend their operations into the UK (Palast, 2000) and they seeking market opportunities in Asia.

In this paper we explore the distinctive mode of privatisation of education that takes the form of big business in general, and EMOs in particular, taking over the operation of public education both at area and school level. The first part of the paper considers the processes of privatization of public education and the conditions which have given rise to its prominence, in policy terms, in the US and the UK. The second section of

the paper outlines the antecedents of EMO interest in public and the third and fourth sections the reviews the structure and processes of business in the operation of public education in the US and the UK respectively. The paper concludes with a consideration of the wider impact of privatization curriculum and pedagogic practice and on structures of governance accountability in education systems.

1. Public education, privatisation and profit.

Business interest and involvement in education is not new. Profits are to be made from the construction of new plant, sale of equipment, books, curricular material and assessment and testing programmes. Over the last two decades commentators have expressed their concerns over the progressive 'commercialisation' of public education, in the 'cola-risation' of schools – where income is derived from vending machines, displays of sponsors logos and advent of TV advertisements streamed at students via Channel One (Apple,1979; Shaker, 2001; Corporate Watch, 2001). Here, the concern is that institutions and processes fundamentally concerned with education as a public good, as a civilising, transformative and democratising force, in effect, has become in transformed in the creation and reproduction of capitalist consumer culture. Similar concerns attend the privatisation of public education (see Levin, 2000, Corporate Watch 2001)

Privatisation is a general description of a process that occurs in many modes. In general, it involves the transfer of pubic money or assets from the public domain to the private sector. It also includes the provision of services by private corporations, enterprises and institutions that were once were provided by the public sector. Privatisation also inevitably means a shift in the control of public resources, and change in the structures through which public money is spent. Within these general parameters we can identify modes of privatisation, the most prominent of which include:

Vouchers: where public many purchases places for selected children in fee-paying institutions. The Milwaukee Voucher Scheme (Witte, 1998) the former Assisted Places Scheme in the UK Edwards, Fitz and Whitty (1989) and the Chile's voucher scheme are examples of this (McEwan and Carnoy, 2001).

Contracting Out: involves the purchase of services from private enterprises by schools or schools districts. School buses, assessment and psychological services, payroll facilities, and free school meals services fall into the category (Audit Commission, 1993).

Public Private Partnerships: where public authorities lease or rent plant designed and built by private bodies to house public services. Such schemes are prominent in the UK and will be discussed later in this paper.

Take-overs: involves the provision, organisation and management of aspects of public schools and educational services for profit or fee, by private commercial enterprises brought in to replace officials and administrators appointed by elected representatives (AFT, 2001; Education Week, 2000; Schrag, 1999). EMOs' take-over of public schools, and 'education association' management of local authority educational services are the prominent example here.

Tax credits: given to families choosing to use private, fee-paying schools in the US can be interpreted as another aspect of privatisation (Olson, 2000)

This list is by no means exhaustive, and nor is privatisation process confined to education. Other public sectors services such as prisons, hospitals, child care and care of the elderly have been subject to similar processes both in the US and UK. In this paper we will mainly discuss contracting out, public private partnerships and take-overs the key process through which public education has become a source of income generation and profit taking for commercial and non-profit enterprises and because there are fears that these process directly impact both on the quality of educational services and on curriculum and pedagogy in public schools.

Not all enterprises involved in privatisation of commercial and profit-seeking. While corporations such as Advantage schools Inc., Edison, Tesseract (US) and Nord Anglia (UK) – all of which have been involved in public education take-overs – are both, Centre for British Teachers (CfBT) (UK) is a non-profit making trust and collects fees

for services rendered that sustains and expands the enterprise.

2. Antecedents of profit-making from education

The education-business nexus cannot be traced out in the detail in this paper. We can, however, identify two key moments when education-business connection was taken up by ideologues and politicians and entered the mainstream of political debate. These are Prime Minister James Callaghan's 'Ruskin College' speech in 1976 in the UK and the publication in the US of A Nation at Risk (NCEE, 1983).

Though there are considerable time and contextual differences between these events, there are compelling similarities with both in the messages and effects. Callaghan's speech suggested that public education was diverse in its quality, somewhat inward looking and not turned enough to the needs of industry and the economy. A Nation at Risk had similar human capital overtones and it also drew attention to the perceived poor quality of public education.

Creation of the 'public education in crises' discourse generated nationally specific responses which had the common effect of institutionalising business- influenced involvement in pubic education. In the US, Shipps (1997) records that A Nation at Risk "gave rise to more than 300 state and national business reports and commissions assessing – and usually flunking – the public schools." (Shipps 1997, p.76). She notes these 'reports persistently drew parallels between good business practice and good schools and their prescriptions are widely repeated' (p.76). Through the 1980's and 1990's national business organisation, the National Allowance of Business, National Business Roundtable, persistently pressed for standards-driven reforms in order to produce the outputs represented in National Goals 2000.

British development of the education-business nexus took a different route. One official response to the crisis account was curriculum reform, proposed both by Department for Education and Science, and Her Majesty Inspectorate. In different documents, they called a common curriculum for the nation's public schools to that

all children would engage in similar subjects or areas of experience. In recognition of business interests, the curriculum was also 'vocationalised' in one policy drive aimed at students at the top end of secondary school. The Technical and Vocational Initiative provided extra funds for selected students, aged 14-16, in some public schools to develop vocational skills with programmes that offered work experience.

Mrs. Thatcher's term of office as Prime Minister, which commenced in 1979, leading a government with neo-literal ambitions, pushed the privatisation agenda further. Under the general theme of rolling back the domain of the state, under successive administrations, nationalised industries such as gas, water, telecommunications, and oil exploration and production were sold off (Martin and Parker, 2000: Poynter, 2000). In education, the most prominent policy involved the Assisted Places Scheme, where academically able students from financially disadvantaged families were offered places at fee-paying schools. Their fees were paid for in part or full, in proportions related to family income (Edwards, Fitz and Whitty, 1989). Introduced in 1981, that scheme remained in place until 1997, when the incoming Labour Government scrapped it.

Thatcher's radical reform of education, in the Education Reform Act 1988, revitalised the education-business connection, and did so in a number of ways, we note briefly below:

1.National Curriculum subject panels included lay and business representatives in their membership.
2. Governance and financing of schools was modelled on a market system. Age-weighted per capital funding for schools, given considerable autonomy from LEAs, constituted a system where schools were expected to compete for students. As in the private sector it was expected that poor schools would be forced to close.
3. Governing bodies were expected to include members of the civic and business communities.
4. Grant-maintained schools, schools which had opted out from LEA control – modelled, one government adviser told us on the devolved management structure experience in his days at Shell (Fitz, Halpin and Power, 1993) – had considerable

powers to buy in educational services, such as payroll facilities, school meals supply and building and maintenance contracts.

5. Compulsory competitive tendering (CCT) was introduced as a principle in the organisation of all local services. Local authorities were required to 'market test' whether provide contractors could provide services (garbage collection, payroll facilities etc) cheaper than direct labour organisations.

The key point of the 1988 legislation is that it marks a key shift in the education-business nexus. While business influence was consolidated, education was cumulative constructed *as* a business because schools were expected to compete and operate like businesses

'Reaganomics' in the US and 'Thatcherism' in the UK, throughout the 1980's systematically and consistently turned to the private sector for solutions to supposed crises in public services provision in general and education in particular. There were three long-term effects. First, schools became increasingly subject to a 'bottom line' judgements of their standards or outputs as measured by public examination and assessment performance. Second, chronic under-funding of public services in general, and schools in particular, further encouraged by central government in the UK, pushed schools in the direction of seeking top-up funding from external sources. Third, public private partnerships, where private enterprise was asked to invest in public service provision, was seen as a way of sustaining low-tax regimes while maintaining public services at a credible level. We think it was in this light that central government, states, and school districts went one step further, in handing over schools to for profit organizations.

3. Education for a profit: privatisation in 1990's and YK2

What were the mechanisms by which public education was subject to direct takeover by private enterprises and through which it became an increasing sources of revenue for contractors and large, stock-market quoted corporations? What we present here is an outline of the processes in two national contexts.

a. *UK framework*

We have established in the previous section the ideological and political underpinnings of the transformation of public sector provision and the cumulative influence and involvement of business. From the point of view of education, private sector involvement for profits and fees, four interlinked policies generate the capacity for private sector participation and the forms of its engagement. These are Compulsory Competitive Tendering (CCT) Public Private Partnerships (PPP) and Private Finance Initiatives (PFI) and takeovers. Each will be discussed in turn.

Compulsory Competitive Tendering

Commencing in 1980 under the Local Government, Planning and Land Act, CCT was introduced to require local authorities to put highways and building construction and maintenance out to tender (Audit Commission, 1993). CCT was extended to a larger range of activities by the Local Government Act 1988. Garbage collection, cleaning of buildings, education and welfare catering, ground maintenance, repair and maintenance of motor vehicles and management of sports and leisure facilities all services formally provided by in-house local authority staff and employers, were put up for tender. The Act required a client-contractor relationship to be established for each of these services. Local authority District Service Organisations were permitted to compete with private contractor and were successful in winning about 70% of contracts in the initial round of 5 year contracts awarded (Audit Commission, op cit, p.10). It has been argued that CCT's saved about 7% of client side costs previously incurred (op cit p.9).

One significant extension of the CCT principle is in the arrangement for school inspection, a national system that had existed since 1839. In 1992 Her Majesty Inspectorate gave way to the Office of Her Majesty's Chief Inspector, subsequently re-branded as the Office for Standards in Education (Ofsted). A feature of the new arrangements was that private contractors, replacing professional inspectors, HMI, would undertake full inspection of all public schools. Tenders were sought for 24,000 schools in England and Wales, in 4 year cycle (5 years in Wales) of full inspections. The cost was estimated at over £90 million per annum. This figure takes no account

of the opportunity costs occurred by schools, in preparing for a full inspection. When these are included, the cost of inspection for a median secondary school is about £66,000, and for a median size primary school, about £26,000 (Ofstin, 1998 p.16).

The inspection system commenced as a virtual cottage industry, where numerous small private contractors tendered for school inspectors, but it quickly became corporatised. Big contractors such as the Centre for British Teachers (CfBT), Millwharf, Severn Crossing, Cambridge Education Associates and Nord Anglia provided facilities for registered inspectors to undertake the inspections. CfBT at one time under took about 10% of all school inspections in England (Lee et al, 1999).

Soon after it was created, Ofsted was given the power to determine that a school was failing to provide and adequate standard of education. The Secretary of State was empowered to take over 'failing' schools by sending in an education association to run it. Those powers provided Ofsted and the Education Secretary with what some commentators have called, a 'nuclear weapon' (Hood, et al 1999). It has subsequently provided also the means by which private take over of public education has been facilitated. We will return to this below.

Public Private Partnerships (PPPs)

Private investment in the public sector may take a number of forms. Two educational initiatives where private funds were sought to create and maintain new kinds of public education were the City Technology Colleges (CTC's) (1986) and Education Action Zones (EAZs) (1997). The irony is that the first is a Conservative initiative; the second is a Labour government policy. They have much in common, apart from seeking private financing for education.

CTCs and EAZ were attempts to bring in private sector money to fund new directions in public education, each broadly aimed at inner urban communities. In the case of the CTCs, it was intended to establish about 20 secondary schools, financed by central government, to provide science and technology focused programmes of instruction. Private enterprises were invited to purchase and refurbish or build new plant, while government would be responsible for recurrent costs. It proved difficult to generate

private sector participation and central government finished up paying for much of the capital as well as recurrent costs, for schools, not all of which were in inner urban locations (Whitty, Edwards and Gewirtz, 1995). Very few corporations sponsored the new brand of schools, and the majority was supported to varying degrees by local entrepreneurs.

A decade later a Labour government launched an area-based initiative designed to raise the quality of teaching and learning in a selected number of multiply disadvantaged communities. Education Action Zones, led by Zone directors and Education Action Forums – composed by educationalists business of community interests – usually comprising 2 secondary schools and adjacent primary schools were established in about 25 sites across England (Power et al, 2000; Dickinson et al , 2000; Merrick, 2000)

Each zone was to receive a grant of £750,000 and a further £250,000 was available on a pound- for- pound basis for funds raised from sponsors, in cash or kind. Results, as with CTCs, have been uneven. One zone reportedly raised 3 times the target, while one zone has raised only one sixth of that figure (Power, et al op cit: Merrick, op cit).

Though similar ideas inform CTCs and EAZs, Labour's version has different ideological basis, namely its Third Way approach to public sector policy development. It seeks to engage public and private sector organisations in collaborative ventures which eschew both purely 'market' solutions; or 'command economy' answers to complex social issues. Another version of this so called 'Third Way' approach is the National Grid for Learning (NGfL), an attempt to link all schools in England and Wales, via the internet, to a virtual learning zone (Selwyn and Fitz, 2001). Central government provided free internet connection for all schools, with the support of British Telecom. Corporations such as Microsoft, Compaq, Research Machines and BT have been involved in developing the grid through offering expert advice, and as managed service providers (Selwyn and Fitz, 2001). Many of those we interviewed saw that it offered profit-marking opportunities in the claimed £1.8 billion of government money was being invested in the Grid. One corporation also candidly admitted that it also saw the advantage of generations of

school children becoming familiar with its software 'architecture'

Private Finance Initiatives (PFIs)

The Conservatives introduced PFIs in 1992 but their role in public sector finance has been endorsed and expanded under Labour. Indeed the present government has signed projects worth about £12 billion between 1997-2000 (Ball, R. et al, 2000). Under PFI arrangements the private sector builds, designs, finances and sometimes operates a capital asset (schools, hospitals, prisons, etc) which the public sector pays a charge to use (Ball et al op cit: 107). An underlying principle is that the private sector takes the 'risk' in the purchase and development of site and plant while the cost to the public purse is spread over the life-time of the project, ordinarily 20-30 years. In the British variant it is not clear whether the asset reverts to public ownership at the end of the contract.

Public sector unions in the UK are deeply suspicious of PFIs as a form of privatisation because large areas of public expenditure have in effect become profit generating exercises for corporations and because they in turn can negotiate restrictions on use and make excessive profit via the development of land and plant 'surplus' to requirements. One small but telling incident: it was reported that one consortium complained because a primary school was using Blu Tac (an adhesive) to stick displays on walls of its 'asset'.

UNISON, a public sector union and the National Union of Teachers (NUT) expressed their views about doubtful of the value for money of PFIs on their respective websites. The NUT notes that one prison PFI project yielded its private sector sponsors profits of £10.7 million, on a refinancing deal, of which only £1 million was returned to the prison services (NUT, 2001a).

Unions also point out that contractors are able to lease school buildings to third parties outside designated 'core times', when schools are not in session or when time is not designated for community use. Nevertheless, by November 2000, 71 education projects, planned or up and running, worth £680 million had been signed, which

involved 673 schools (NUT, 20001b)

On the basis of a consultancy report by Arthur Andersen and Enterprise LES, the government has claimed a 17% saving on capital projects under PFI, although this figure has been challenged by two leading academics (Pollock and Vickers, 2001). They suggest there is little if any evidence to support savings of this kind. All the unresolved tensions in PFI funding can be illustrated in the case of Pimlico School, a large, well-known, secondary school in the heart of London and on desirable site not far from the Thames.

Built in the 1960's, Pimlico School is in a very poor state of repair – it is draughty and it leaks (Singh, 2001; Ball, 1999). In 1995, the school sought funds to undertake refurbishment and explored a PFI arrangement. Last year the school governors threw out the PFI proposals, much to the annoyance of the LEA, central government and the private investors. The governors were supported in their action by parents and by the local community. The principal and senior management team, desperate for some remedy to the problems with building was more sympathetic to the PFI. What has annoyed PFI critics, however, was the disparity in the funding offered for a straight refurbishment, some £2.5 million, and the money central government and the LEA were prepared to commit under PFI, which was £25 million or 10 times amount originally sought..

Under PFI, the school would have been demolished and it would also have suffered a cut of 25% of its playground space to provide a site for developers to build luxury flats in order to cover 'risks' on their investment (Ball et al, 1999). No work is presently planned for Pimlico School. Moreover, Pimlico is not the only school where playground space has been one of the considerations as to whether PFI projects go ahead (Abraham, 2000). Commentators have also questioned whether PFI's involve any 'risk'. It can be argued that they have the merit of generating known income from a reliable source for 20-30 years (Cohen, 1999: NUT, 2001a).

Takeovers

Put in proper proportion, while some LEAs have been taken over by private organisations, the number is small but the regulatory impact of takeovers has been significant. This relates to the means by which takeovers have been achieved. Under powers granted in 1993, and extended by the Labour government in 1997 under its 'Fresh Start' policy, school inspectors – often styled 'the education watchdogs' – could declare schools to be 'failing'. Fresh Start enabled these schools to be closed and reopened under new management, and where necessary operated by private organisations. Moreover, school inspectors were given additional responsibilities to report on LEAs and where there operations have been judged inadequate private contractors have been invited to take over all or part of LEA responsibilities for managing schools and associated educational services (e.g. Lightfoot, 2000; Marrin, 2000). In consequence, some schools and some LEAs are now run by private organisations and are accountable directly to the Education Secretary. Regardless of scale, the 'iron fist' message to schools and the LEAs has been unequivocal. The framework has also generated major players in the education services arena.

What of the scale? Of the 150 English LEAs, 120 have been inspected, and only 20 of these have been required to hand over some or all of there services to outside organisations (Mansell, 2001). Islington LEA in London was subject to a ministerially ordained take over by Cambridge Education Associates in seven year, £80 million deal (Mansell, 2001). Hackney, also in London, was taken over by Nord Anglia, a for- profit enterprise.

Consequent inspections by Ofsted two years after the Nord Anglia take over found there were still weaknesses in the management and organisation of Hackney's education services (Mansell, 2001). Other organisations, most notably Edison, have judged that LEA takeovers are simply not attractive business propositions (Palast, 2000; Mansell, 2001). Other major private providers of public education services, such as CfBT have also stayed out of LEA takeovers, although it did tender for the Islington contract three years ago. In most other LEAs only some elements of the service, most notably advisory-inspection services and school improvement arms have been taken over by private organisations.

Very few individual schools have been subject to take-over, even those placed under the 'Fresh Start' programme. So far two schools in Surrey and another in Islington have been subject to outside intervention. The Surrey schools will be operated by 3Es, the entrepreneurial arm of Kingshurst CTC, ironically itself state school (Barnard, 2000).

Key players on the British scene are the non profit, charitable foundations such as CfBT. It began as an organisation that supplied teachers of English to overseas governments, but CfBT has diversified its activities in the British scene in recent years. It is probably the largest contractor of school inspections in England, it runs the careers services for a consortium of LEAs, it manages one school in Islington, it is involved in the administration of the national literacy and numeracy strategies and it is also involved in the national system to introduce performance related pay for teachers. Its reported turnover is £65 million (Mansell, 2001, Lee et al, 1996).

b. The US Framework

In stark contrast to the UK's strongly national and centralised system, US public educational governance distributed across 50 states and some 15,000 school districts, each of which enjoys a considerable degree of autonomy. It therefore offers a different structure of opportunities for business and that has been extended with the introduction of charter schools. In effect, each school district can consider privatisation of elements of its operation and can judge whether its school should be managed by outside organisations. Many states now offer the prospect of new start-ups in the public education system and these can be and have been initiated by for-profit enterprises or charitable organisations. The other distinguishing feature of the US framework is number and size of private organisations, EMOs, ready to invest in public sector takeovers and/or supply educational services. Each of these factors has had an impact on the scale and pace of privatisation.

Institutionalisation of the 'education business'

What motivated individuals and organisations to identify public education as an arena for profit making is beyond the scope of this paper. The evidence is though that education business has established itself as a sector since the beginning of the 1990's. The American Federation of Teachers has identified 20 corporations providing educational services (AFT, 2001a). Of these 13 are identified as proving instructional services and another 7 support/ non-instructional services. In the main these are privately owned corporations: only three appeared to be publicly quoted companies – Edison Schools, Sylvan Learning Systems and Tesseract. (Education Week, 1999). These are corporations with a national profile and there are undoubtedly numerous others operating on the ground and limiting their operations to local public education systems. The list suggests that there are now established business that manage and operate for a profit, numbers of public schools and in many cases are seeking to expand their operations. This is only partly the story of instutionalisation however, for there is also a second tier of involvement in the privatisation of public education.

The second tier is composed of financial institutions that provide the funds for education businesses to take over schools. For example, EduVentures, Lehman Brothers and Montgomery Services are all engaged in seeking out venture capitalists who wish to invest in educational services organisations. And much of the publicity about how much the education business is worth seems to emanate from organisations such as EduVentures. For example, figures for the revenues generated the privatisation of public services are often those supplied by EduVentures. Education Week, to be fair acknowledges the source of the projects revenues in one prominent report on privatisation and goes on to suggest that EduVenture figures are on the high side Education Week, 2000). Nevertheless, the second tier organisations have worked hard to make the sector look an attractive investment proposition.

Also in this tier are the moneylenders. How many corporations, and what figures and are involved, is difficult to determine. We can only present some examples in order to illustrate the general point. *Advantage Schools* Inc. has received 'mezzanine funding' from Price Waterhouse, probably in preparation for an initial purchase offer. *The Edison Project* has reportedly raised $232 million in private capital is reported to

filing a $172 million initial purchasing offering (AFT, 2001a). Large investors are said to include JP Morgan Capital Corp and Investor AB each investing $20 million. Other large investors include Vulcan Ventures (owned by Microsoft's Paul Allen) and UBS Capital (ibid). *Leona* another enterprise offering for profit instruction service was backed initially by philanthropist Alfred Taubman. *Mosaica,* founded Gene and Dawn Eidelman in 1997, 'has attracted private investment capital from Lepercq, a New York based venture capital firm and Murphy & Partners, a private equity fund. In three years, Mosaica predicts it will operate a network of 50 schools and will be one of the major players in the for-profit charter school industry' (AFT, 2001a). It is also reported that the Prudential Insurance Corp has loaned $20 million in support of charter schools.

The larger point is that there are now well-established channels for corporations to invest in the takeovers of public education and these investors clearly see an opportunity to obtain a return on their money. The scale of the sector is vast compared with the UK and is certainly large enough to be self-sustaining. And there is the political rub. Not only do these organisations present a credible alternative for school boards to choose between direct and privately managed services and schools they are in an extremely powerful position to shape national and local agendas about the desirability of handing over public education to private providers. Indeed, it is not unlikely that there are a powerful lobbies operating at national, state and local levels (AFT, 2001a).

How the sector has engage with public education is still being documented. It is a short history that contains a number of well-documented failures but it also demonstrates the sector's capacity to change and adapt. That cycle can be illustrated through vignettes of key players in the privatisation of public education.

EMOs in operation

Although EMOs vary in terms of their size and the services they provide, those that offer hard educational (curricular and administrative) services can be categorized according to their functions.

Type I-Nonprofit, single school operator.

Type II-Nonprofit, multiple schools operator.

Type III-For-profit, single school operator.

Type IV-For-profit, multiple schools operator. (Miron, 2000)

Within Type IV, a further distinction amongst EMOs can be made. There are those for-profit, multiple school operators who focus on the operation and management of Charter schools. There are also Type IV EMOs who concentrate on Contract schools within established school districts.

Such EMOs are contracted to manage schools within an existing school district. The individual EMO secures a contract with the school board, to provide the educational services that were previously delivered by the publicly funded school district. The contracted EMO outlines to the school district the results they will achieve. Whether this is a measurable improvement in student achievement or a reduction in the costs associated with the delivery of education, such details are negotiated between the individual company and school district. If the EMO fails to meet the requirements outlined within their contract, the school district has the ability, through a vote of non-confidence by school board members, to release the company from its duties. The terms of an early release and the timelines for a transition period where the EMO withdraws their services is dependant upon the individual contract negotiated between the EMO and the school district.

Such EMOs churn a profit by receiving funding from the school district, based upon an average per pupil expenditure, and scaling back expenditures within the classroom. The difference between the funding received and the expenditures translates into profit for the EMO. The largest expenditure within the classroom is that of teacher's salary. Therefore, EMOs reduce such expenditure by either employing less experienced teachers or using uncertified staff. (Furtwengler, 1998a, 1998b)

Edison Schools, Inc.

Edison Schools, Inc., formerly The Edison Project, was formed in 1991 under the direction of Chris Whittle. Whittle stated that he was initiating this new venture in the field of education in an effort to transform and build a new type of American School. Whittle's intent was to restructure American education and make a profit at the same time. (Saks, 1995)

The original plan for Edison was to open two hundred for-profit schools by 2000. In declaring the Edison Project, Whittle stated:

> We will also be providing our services to other school systems, public and private. A public school system may want us to manage one or all of its schools, or a private system may want to use a teaching program, some software, or a video tape that we've developed. All this is part of our plan. (NEA, 1999)

It was reported that Edison said initially that it would attain profitability in the enterprise when operated 100 school although that estimate has been change recently to 120 schools (AFT 2001a). The corporation says it expects to yield between four and eight per cent from each school site after one year's operation (ibid).

Edison got off to a slow start, behind schedule. By the summer of 1995, Edison had been in existence for four years, spent forty million dollars in research and development and had yet done nothing in a school. During these years, capital was spent on developing a school design for Edison and marketing the Project's services to school districts. In September 1995, Edison opened four elementary schools for the 1995-96 school year (Mount Clemens, Michigan; Boston, Massachusetts; Wichita, Kansas; and Sherman, Texas). Edison tried to approached other school districts throughout America and convince them of the prospects for their services.

Mount Clemens, Michigan was the first school district to enter into contract with Edison for a five-year term. Edison opened the Mount Clemens Public School Academy, which was charter school that fell under Michigan Charter School legislation. This legislation allowed for-profit companies to operate public schools.

Edison was providing these schools with start-up funds for curriculum development. Money was also allocated to each individual school to help fund its technology systems, school operations plan, and the recruitment and training of staff. Food Service and pupil transportation were the responsibility of Edison at the school, which was allowed to be sub-contracted to private service providers. Edison also had the

option to purchase these services back from the school district for an additional reduction of the per-pupil allotment.(Saks, 1995)

Money was the real stumbling block between Edison and the school districts. Edison wanted more money per pupil than the national average, but most of these districts spent around the national per pupil average and did not have the funds to meet Edison's requirement.

The contracts that Edison entered into spelled out clear performance standards that were outlined in an Accountability Appendix. Edison was to various methods to assess student achievement: state and district standardized tests, customized Edison tests relating to its academic standards, and portfolios of student work that were linked to Edison's standards. In case of a dispute arising regarding academic gains, an objective third party selected by the school district was to be consulted in an attempt to help clarify any disagreements.

The school district has the option to terminate the contract if Edison fails to account for its expenditures or fails to meet the performance standards specified in the contract. Edison can nullify the contract if the school board is unable to make the required payments or adhere to Edison's recommendations for personnel, curriculum, or other various matters. (Saks, 1995)

Edison currently is responsible for the operation of one hundred and thirteen schools in twenty-one states and the District of Columbia. (Miron and Applegate, 2000). Edison is distinctive in that it has consistently entered into contracts with school districts to operate public schools: other EMOs have avoided the difficulties associated with this strategy – community opposition, and opposition from education administrators and teachers organisations- and have exclusively pursued the development of charter schools for profit.

Tesseract Group (Educational Alternatives, Inc.)

Tesseract Group, formerly known as Educational Alternatives Inc.(EAI), is another private company managing public schools. EAI secured its first public school

contract in Dade County, Florida in 1990. In 1992, the company was contracted to operate multiple schools in Baltimore, Maryland. In October, 1994 EAI secured its largest contract in Connecticut. It was hired to manage the entire Hartford school district.(McCarthy, 1995)

EAI claimed that they could reduce costs within the schools they managed by thirty percent. These cost savings could then be invested into the instructional program of the school. EAI implemented these cost savings through cutting personnel, increasing class size and eliminating special education classes to help fund operating expenses. (McCarthy, 1995)

In November, 1995, EAI's five-year contract in Baltimore was terminated after only three and a half years. The Hartford contract was terminated in 1996, only one year after its enactment. The school district in Dade County, Florida decided not to renew EAI's contract with South Pointe Elementary school.(Tesseract Group, 2000)

Contracts with EAI were terminated due to lack of student achievement, failure to reduce costs, denial of special education programs and misrepresentation of test score results. (General Accounting Office, 1996; Furtwengler, 1998a,b) Research conducted at the University of Maryland, Baltimore County indicated that standardized achievement test scores for EAI students decreased and then increased to pre-program level. (Fowler and Lose, 1996) Therefore, no significant increase in student achievement occurred under EAI.

EAI repackaged itself and changed its name to The Tesseract Group in December of 1997. This was an attempt by the company to distance and shield itself from previous failures in Baltimore and Hartford. (Fowler and Lose, 1996) Tesseract's mission statement is to be a dominant provider to the education market through its public charter schools and the expansion of its private school networks. (Tesseract Group, op.cit)

Currently, Tesseract concentrates on charter applications in states with permissive Charter School legislation. With such parameters, the company now focuses its efforts within the state of Arizona. (Ibid)

The general move away from taking over school districts and/or their schools and into charter schools reflects the importance those schools have assumed in the development of privatisation. EMOs such Advantage Schools beacon schools, Leona, Millburn, and Mosaica and National Heritage – to name but a few- as well as Edison and Tesseract see more profit in building, or transforming existing schools into, charter schools. Here they are less constrained by school district staffing policies, curriculum and pedagogy. On current trends then the scale and pace of privatisation will be determined by state legislation on charters and an on school district policies freeing up schools to operate under charter arrangements.

5. Discussion

What then are the relative determinants of the scale and pace of privatisation in each national setting? Three general points can be made. First, privatisation in the US and the UK has a shared political and ideological heritage, in which there is a common adherence to the idea that private providers, competition, site-based management and structures that encourage choice between schools will generate both efficiency and higher standards. Second, during the 1980's there was a considerable amount to 'policy borrowing' between the two national systems that also sustained the dominant belief that there were lessons to be learned from the private sector by public services. Third, when looked at in terms of the impact, in one sense, privatisation is still relatively small scale in both countries.

In the US, early interventions by EAI/Tesseract and Edison have not been as successful as either the corporations or privatisation advocates predicted. School district politicians and administrators and third party evaluations have found no clear evidence of increases in student test scores compared with those obtained by school districts when changes in the social composition of schools have been accounted for. Nor have their been the anticipated efficiency savings. Indeed, in some early instances, private operators incurred more cost per head than other schools in the same district. Moreover, teachers organisations and community groups opposed to privatisation have mounted well-organised and publicized critical evaluations of

privatisation initiatives (e.g AFT 2001b). For corporations, the relatively low levels of per capita funding for public school has made it difficult to turn a profit without offering parents additional services. All this has muted interest in takeovers of school districts and their schools.

Nevertheless, there are two other features in the US that has kept privatisation rolling: the creation of a capital market targeted at public education and the cumulative roll-out of charter schools. The tier of venture capitalists and the resources they can now tap enables service providers to pursue takeovers and charter school development without resort to public private partnerships of the kind that dominate the British scene. With thirty six states having charter school legislation corporations have progressively moved into this sector seeking profits. Although about 10% of charters are managed by for profit companies (Education Week., 2000; Olson, 2000) that tells us little about the picture on the ground. In Michigan for example, 72% of charter schools are operated by for profit organisations (Miron, 2000). Major players in education services see this is the next frontier although there are states where for profit charters are prohibited.

Privatisation in Britain is still closely tied to central government's regulation of the education system. In general, there exist fewer opportunities for the private sector to initiate takeover compared with the US. Paradoxically, privatisation has frequently followed the declaration of named schools and LEAs to be 'failing' by Ofsted, the school inspectorate. This has provided both the structure of opportunity and an additional source of revenue educational consultancies, a number of which are non-profit organisations. It has been the government's insistence on (PFIs) as the exclusive vehicle to refurbish plant in the public sector that has also brought about the major involvement of private enterprises in public education.

Again the interesting feature here is the institutionalization of the process. The Treasury oversaw PFIs initially but these duties have been transferred to Partnerships UK (Partnerships UK, 2001), a public private organisation that seems to act as a cross between, broker, venture capitalist and contract regulator responsible for the nature of contracts between the state and private sectors. Whether or not to pursue a PFI project is a decision for public sector bodies to which Partnership UK and private

enterprise respond. One grave danger of PFIs though is that miscalculations of the full costs can have a serious impact on public services. In one case one LEA has been forced to reduce its funding of schools by £6000 pa in order to meet its PFI payments on one contract (NUT, 2001). This situation is not confined to the UK. There are also US instances where it is claimed that school districts gave priority to their obligations private contractors at the expense of other public schools.

The privatisation of public education in the UK has moved at glacial speed. Devolution of funding to schools – about 90- 95% of all LEA funding has been devolved to schools so there are restricted opportunities to profit from LEA services. And there is the chronic under funding, even relative to the US (Palast, 2000), which again provides little latitude for profit taking by slimming down already lean services. In the standards-driven environment that characterises the education in the UK, which has intensified under Labour, in which schools are required to teach a centrally determined, monitored and assessed National Curriculum, where league tables of schools' performance in national tests are published in the local and national press, and where schools are subject to target setting, regular full inspections, performance related pay for teacher and national strategies for teaching literacy and numeracy, there are limited opportunities for innovations that might generate profit. Indeed, anecdotal evidence also suggests that the performance targets set for companies taking over LEAs and schools are not only tight but also the contracts are punitive if they are not met.

In the US, privatisation, certainly in the charter schools has been accompanied by innovations in school organisation, curriculum and pedagogy and some organisations such as National Heritage this has been an attraction of both charter schools and privatisation (AFT, 2001a; Miron, 2000). Longer school days, centralised literacy and curriculum programmes, the introduction of strict dress including school uniforms, and enforced codes of behaviour, all look like the restoration of 'traditional education' – teacher centred, whole class teaching, drill and well ordered classrooms (see Fitz, Halpin and Power, 1993). Innovation in the context does not have to been equated with progressive education. Some of these strategies have enabled and indeed have been accompanied by reductions in staff, the use of non qualified

teachers and easing out 'high maintenance' students and students with special education requirements (Miron, 2000, Walsh, 1999).

6. Conclusion

We began this paper by showing that there has been considerable investment in the privatisation of public education in the US and UK. Advocates of privatisation in both countries also share common beliefs about its purported beneficial effects. National policy contexts however have provided different structures of opportunities for the privatisers and also different sets of constraints on the process which have materially shaped the scale and character of privatisation. The capital market and the existence of charter schools in the US have enabled education services to refocus their profit making activities and at the same time push forward an agenda of traditional education. In addition the private sector has drawn upon a political network of institutions seeking to reform or restructure the dominant for of public education presently under the jurisdiction of school districts. Overall, EMOs have not experienced the success that was expected of them when they launched into the field of public education.

Privatisation in the UK has been driven primarily in response to central government policies, in relation to taking 'failing' schools and LEAs out of local control and in its determination to push forward its investment in public sector institutions via public private partnerships. Taking over schools and LEAs has not proved financially attractive to the private sector where the main players are non profit organisations who in reality operate and control very few institutions directly involved in instruction.

7. Notes

(1) Some of the best material on privatisation, EMOs and corporations involved, government policies and local experiences of privatisation are to be found on the websites of teachers' and public sector workers' unions. Three sites have been extensively consulted in researching this paper:

American Federation of Teachers @ www.aft.org/privtization

National Union of Teachers @ www.teachers.org.uk and www.data.teachers.org.uk/nut/action

UNISON @ www.unison.org.uk/campaigns/index

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